Emerging Issues in Trade Facilitation: Lessons for South Asia

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29 September 2016

“Without data you’re just another person with an opinion.”

- W. Edwards Deming, Data Scientist
Three critical challenges the region facing

• Huge burden of trade costs
  – Policy-related non-tariff trade costs most important

• Complex cobweb of supply chain

• LLDCs burden more than others
Trade facilitation costs

The structure of trade costs

MFN tariff rates
PTA tariff rates
Transport and logistics costs
Border clearance costs
Costs of compliance with RoOs
Non-tariff measures

Source: Cadot and Ing, 2015
## ESCAP-World Bank international trade cost database (updated July 2015)

Intra- and extra-regional comprehensive trade costs in the Asia-Pacific region (excluding tariff costs), 2008-2013

<table>
<thead>
<tr>
<th>Region</th>
<th>ASEAN-4</th>
<th>East Asia-3</th>
<th>North and Central Asia - 4</th>
<th>Pacific Islands Developing Economies</th>
<th>SAARC-4</th>
<th>AUS-NZL</th>
<th>EU-3</th>
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<td>(6%)</td>
<td>(4%)</td>
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</table>

Policy-related non-tariff trade costs more important

Export Time, 2015

Export Cost, 2015

Source: Doing Business Database, World Bank
## Logistics - performance of LDCs matters

### Logistics Performance Index, 2014

<table>
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<th>Country</th>
<th>Overall LPI score</th>
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Source: LPI Database, 2014, World Bank
Rising gap between LDCs and developing countries in LPI

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<td>0.34</td>
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</table>

*For South Asian countries

Source: LPI Database, 2014, World Bank
TF and paperless trade implementation in Asia and the Pacific
Complicated supply chain
Tasks ahead

• To adopt paperless trade
• To implement WTO TFA and other regional/subregional agreements
• To move towards a single customs (one customs) at land border
• To strengthen cross-border infrastructure
• To promote multimodal transportation and logistics
• To encourage express delivery system
• To improve the efficiency of border corridors
• To enhance investments in infrastructure
Priorities

1. Simplification and harmonisation of trade procedures (paperless trade)
2. Develop a transparent system for trade transaction (Single window)
3. Moving towards seamless trade comprehensively (economic corridor)
Trade facilitation agenda - moving from *paperbased* to *paperless* trade

- Business Process Analysis
- Process simplification and harmonization
- National data harmonization
- Document simplification and alignment
- Cross-border data harmonization & exchange
- e-Single Window & paperless trade
- National data harmonization
Trade facilitation in international agreements

• Multilateral agreement – provisions in GATT
• All regional agreements cover TF – full or part
• World Customs Organisation
• Kyoto Protocol + revised Kyoto Protocol, etc.
• WTO Trade Facilitation Agreement, 2013
• etc.
WTO Trade Facilitation Agreement (TFA)

- TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit (12 articles in Section I, S&D treatment in Section II and formation of TFC in Section III)
- TFA focuses on streamlining, harmonizing and modernizing customs procedures.
- TFA provides for assistance to developing and LDCs to help them implement the Agreement.
- Once it enters into force, the Agreement is expected to reduce total trade costs by more than 14 per cent for low-income countries and more than 13 per cent for upper middle income countries by streamlining the flow of trade across borders.
- Notifications as on 19 September 2016: Category A (87 countries), Category B (5 countries), Category C (5 countries)
- Ratification as on 19 September 2016: 81 countries out of 162 including Myanmar
- The TFA will enter into force once two-thirds of WTO members have completed their domestic ratification process.
WTO TFA: What it offers

• TFA is a legally binding agreement
• Section I is comprised of 13 Articles, Section II has S&DT provisions for developing country and LDC members; and 3 categories of countries
  – Three distinct provisions for: (i) faster and efficient customs procedures, (ii) paperless trade, and (iii) technical assistance and capacity building.
• TFA aims to build common standard(s) mandatory for all countries.
• Aid for Trade and TF:
  – To assist developing countries and LDCs in meeting the TF commitments
Trade facilitation in regional agreements

• Most of the regional trade agreements have provisions on customs procedures
  – ASEAN Trade in Goods Agreement (ATIGA)
  – South Asia Free Trade Agreement (SAFTA)
  – India – ASEAN FTA in Goods

• Some regional / sub-regional agreements have broad coverage of trade facilitation (e.g. GMS, BBIN, ECO)

• Trade facilitation becomes pivot to the formation of:
  – Customs union
  – Economic Union
Recent developments on regional connectivity (strong impact on South Asian value chain and integration)

1. Regional connectivity and TF between India, Bangladesh, Bhutan, India and Nepal (BBIN - SASEC)
   – Motor Vehicle Agreement (MVA)

2. Integrated check posts (ICP) by India
   – Attari in Punjab, Moreh in Manipur, Agartala in Tripura, Petrapole in West Bengal, and Raxul in Bihar

3. Higher use of ICT in trade transactions and customs modernization
   – SWIFT / EDI system of India (ICEGATE) and Pakistan, greater involvement of private sector in Bangladesh, a.o.

4. India – ASEAN connectivity projects, particularly Trilateral Highway
What is Single Window?

- A facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfill all import, export, and transit-related regulatory requirements. If information is electronic then individual data elements should only be submitted once.

- Enable the customers to submit regulatory documents viz. Bills of Entry, Shipping Bills, applications for import/export permits, supporting documents (Invoice, certificates of origin, Licence details etc.) at a single location/Single Terminal/single entity.
Single Window Interface for Facilitating Trade (SWIFT)

- SWIFT has been introduced on 1 April 2016
- The 'India Customs Single Window‘ allows importers and exporters, the facility to lodge their clearance documents online at a single point only.
- Required permissions, if any, from other regulatory agencies are available online without the trader having to approach these agencies.
- SWIFT reduces interface with Governmental agencies, dwell time and the cost of doing business.
- CBEC had already executed major projects to automate Customs clearance processes and provide electronic data interchange (EDI) with all agencies. SWIFT was the natural next step.
- At present 116 custom locations and 21 trading partners including other government and licensing agencies are linked with the system.
- It involves the real-time connectivity of all the stakeholders like Custom Brokers, Importer and Exporter, Port Operators/ Terminal Operators, Airlines, Shipping Lines and Shipping Agents, Banks, Freight Forwarders/Consolidators & Cargo Logistics Operators, Directorate General of Foreign Trade (DGFT), RBI, regulators, etc.
Four basic advantages of SWIFT

1. Nine separated documents replaced by an Integrated Declaration
2. Integrated Risk Assessment
3. Online Clearances
4. Automated Routing
Participating government agencies

- Plant and quarantine information system
- Food Safety and Standards Authority of India
- Drug Controller General
- Wildlife Crime and Control Bureau
- Textile Committee
- Animal Quarantine Inspection Services
### Customs EDI in South Asia

<table>
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<th>Country</th>
<th>EDI System</th>
<th>Status</th>
<th>TFA ratified?</th>
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<td>No plan for Single Window</td>
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<tr>
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SAARC Single Window

• National single windows by most of South Asian countries
• Regional convergence of national single windows
Dealing SAARC observer countries

• Engage them in regional infrastructure projects
  – ACCC in ASEAN for implementation of MAC
• Financing projects, technical assistance, training and capacity building, etc.
Synchronization of cross-border Customs

• Customs should operate 24x7 basis
• Full automation and link-up between Customs would reduce transaction time and cost
• Acceptance of cross-border Bill of Lading electronically
• Lead to paperless trade
Can South Asia build innovative border crossings – OSBP?

Construction of Facilities
- Chirundu (Zambia/Zimbabwe)
- Namanga (Kenya/Tanzania)
- Rusumo (Rwanda/Tanzania)

Legal Procedures
- Namanga (Kenya/Tanzania)
- Rusumo (Rwanda/Tanzania)
- East African Community (EAC)

Capacity Building
- Customs administration in the EAC
- Establishment of a OSBP at the Mamuno (Botswana)/Trans-Kalahari (Namibia) border crossing
- Training of border officials at Chirundu (Zambia/Zimbabwe)

Sources: Compiled from various JICA publications
New policy agenda

1. Trade process and procedure – product- and corridor-wise (support paperless trade)

2. Trade facilitation and trade sophistication & diversification (build value chain upwardly)

3. Production network and trade facilitation

4. Border management coordination and cooperation (treat the border as a single unit for trade purpose)

5. Moving towards economic corridor
India (Dawki) – Bangladesh (Tamabil) Border
Thank you

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